

Chapter 14

Advances Paid, Prepayments, Progress Payments, Grants, and Cooperative Agreements

14-1. General

Advances are paid to other DoD agencies, other U.S. Government agencies, other nations, grant-ees, civilian, military and foreign national employ-ees, travelers, and contractors. Advances are paid for temporary duty (TDY), pay, grants, and con-tracts. Prepayments are amounts paid for goods or services to be provided, on a recurring basis, over a specified period of time. Progress payments to contractors are disbursements for work in process or construction in process. DoD grants and cooperative agreements are Federal assistance agreements under which payments in cash and/or in kind are made for specified purposes.

14-2. Professional requirements

Accountants will be familiar with:

- a. the various accounting classifications used to record and process advances, prepayments, progress payments, grants, and cooperative agreements.
- b. the methods used to compute interest charged against contractor advances, where required.
- c. the methods available to recoup advances, prepayments, progress payments, grants, and cooperative agreements.

14-3. Responsibilities

The finance and accounting officer/defense accounting officer and accountants will ensure that:

- a. advances are made only to appropriate individuals, organizations, and contractors, and
- b. interest charges are properly applied to contract advances where required.

14-4. Accounting for advances

a. *Record advances paid as assets* Reduce the recorded advance when the goods or services are received or contract terms met and charge to expense or capitalize, depending on the nature of the goods or services.

b. *Travel advances.*

(1) Table 14-1 shows the accounting classifica-tion to use to account for travel advances.

(2) Use extreme care in following procedures for transmittal of vouchers to other stations. FAOs/ DAOs will transmit a copy of each payment for any fiscal station other than the installation's own fiscal station number (FSN). Delays in forwarding vouchers can result in failure to collect advances from settlement vouchers, and will complicate the debt collection process. In addition, FAOs/DAOs will enforce strict compliance with the time frames on processing transactions for others(TFO) and cross-disbursements (see Chapter 33 for TFO procedures).

(3) To provide the maximum guidance, the following sub-paragraphs identify the data elements necessary for constructing the accounting classification for various advance situations. Do not charge EOR 41** to the nominal fiscal station (S99999). Obtain data element values from DA Pam 37-100-FY.

(a) *TDY travel advances in general.*

1. Charge all travel advances to the department, FY, basic symbol, OA, ASN, AMSCO, EOR 4110, document reference number (DRN), management decision package (MDEP) or special operating decision package (SODEP), cost code (CC), or procurement request order number (PRON) (when applicable), and the FSN funding the TDY. The only exception to this requirement is that orders for members of the IRR issued and funded by Army Personnel Center (ARPERCEN) will continue to use ASN 9930, Project P0930, and the FSN of the FAO/DAO servicing the training site.

2. For extended TDY, charge the accrued per diem and/or partial payments to the appropriate 2100 series EOR. The FAO/DAO must ensure that all such payments are properly identified and accounted for on the final settlement voucher.

(b) *TDY advances under special circumstance* The following policies and procedures apply to special funds centrally managed and reported under nominal fiscal station S99999:

1. *Travel related to medical care* Charge all ad-vances to the department, FY, basic symbol, OA, ASN, AMSCO funding the travel (in accordance with DA Pam 37-100-FY), EOR 4110, DRN, MDEP or SODEP, and the FSN associated with the DSSN maintaining the traveler's DD Form 1588 or automated travel record. (Note: The FSN assigned correlates to the DSSN maintaining the service member's record of travel payments.)

2. *TDY travel related to the escort of prisoners or the return of AWOL service members* The accounting classification data elements are the same as prescribed in (3)(b)1 above.

3. *TDY travel and per diem related to DA directed training, not in conjunction with PCS* The FSN will correlate to the DSSN that maintains the traveler's record of travel payments.

4. *TDY travel and per diem for training of less than 20 weeks in conjunction with PCS* There are three conditions in this category. Construct the accounting classification and travel advance classification the same for all three conditions, except apply the FSN according to the following:

a. *Service member travels TDY and returns to permanent duty station prior to PCS* Use the FSN of the old duty station. (Note: The service member must file a settlement voucher prior to release of record of travel payments during out processing.)

b. *Service member completes PCS and then performs TDY.* Use the FSN of the new duty station.

c. *Service member performs TDY enroute on PCS.* Use the FSN of the new duty station. The travel

section at the gaining FSN will suspend the advance by anticipated date of arrival. The documents used are those forwarded by transmittal from the office paying the advance to the travel section in the office where the record of travel payments will be maintained after completion of the PCS. If the traveler does not arrive as anticipated, use any available means to determine if the traveler was diverted. If the service member's old duty station issued diversion orders and the traveler is processed at some other DSSN, take the following actions: Upon receipt of the advance under TBO procedures, the accounting section prepares an SF 1081 and transfers the advance to the new FSN. At the same time, the travel section will forward the suspense copy of the advance to the appropriate gaining travel section with documentation attached confirming the member's reassignment. Forward this voucher under letter of transmittal with return receipt requested. Both the travel section and the accounting section must process arriving transactions as soon as possible after receipt. Travel sections will notify their accounting operations when it is determined that a service member has been diverted. Accounting will prepare an accounting adjustment voucher to transfer the advance to the correct FSN.

(c) *Permanent change of station (PCS)*

1. *Civilian PCS.* Charge travel advances to the department, FY, basic symbol, OA, ASN, AMSCO, EOR 4120, DRN, FSN funding the PCS, and APC, CC, or PRON, when applicable. (Note: APC for the advance should be the same as the funding APC, except when the advance is paid as a TFO.) Assume procedures require forwarding copies of payment documents to the gaining FSN travel section in addition to the TFO documents, in order to provide the maximum assistance possible in the collection process. For DoD civilian PCSs from overseas commands to U.S. Army activities, charge the advance to the funds cited on the orders, except for the EOR (4120), using the following criteria:

- a. The civilian must be assigned to another U.S. Army activity in CONUS.
- b. The advance will include those expenses required prior to reporting to the new CONUS duty station.
- c. Orders must reflect the complete gaining organization's address, servicing civilian personnel office, and the servicing FAO/DAO (both DSSN and FSN). This information must be complete and not abbreviated.

2. *Military PCS.* Charge travel advances to the movement designator code (MDC) cited on the traveler's orders. Use the nominal fiscal station (S99999) only for advances for PCS entitlement. Use the following EORs, only: 211J (subsistence/ per diem--other); and 219J (non-Government travel requests--other) applicable for both the service member's advance and military dependent travel advances. Ensure controls are in place to require recording all PCS advances on the service mem-

ber's record of travel payments. Include a copy of the advance as a suspense item for collection upon arrival at the permanent duty station.

(d) *Retained advances.* Since the U.S. Government Charge Card Program has been expanded to include personal identification numbers (PINs) for accessing automatic teller machines to draw travel advances, retained advances are no longer authorized. Those employees who qualified for a retained advance also qualify for the U.S. Government charge card and should be using it to draw their travel advances. Collect back all outstanding retained travel advances and discontinue issuance.

(e) *Foreign military sales (FMS) related travel.* Travel funded by an FMS fund cite must be directly related to the FMS case. For this reason, other data elements may appear in the accounting classification which are unfamiliar to some installation travel and accounting personnel. The same EORs cited above for TDY and PCS advances apply to FMS advance payments as well. See Chapter 5 for the definition of the specific elements in an FMS fund cite.

(f) *Review procedures.* Each month, representatives from the travel and accounting sections will jointly reconcile outstanding travel advances in the travel and accounting records. Also, include reconciliation of outstanding travel advances as part of the joint reviews between accounting and the funded activities. Expand joint review procedures of unliquidated obligations to include ensuring that travel entitlement obligations are not identified for recovery as long as an associated advance remains uncleared. Identify any differences and take necessary corrective actions.

(g) *Accounting personnel.* When processing advances, use TRC 33A (for self) for advances citing the installation FSN and TRC 34A (TFO within Army) for advances citing other FSNs. Submit, monthly, RCS CSCFA-218 report to the appropriate AO/DIAO for those transactions previously identified to FSN S99999.

c. *Contract advances.* The office of the ASA(FM&C) must approve advances requested by contracting officers. Table 14-2 shows the accounting classification to use to account for contract advances. Use the following procedures to account for contractor advances:

(1) Maintain a separate record for each contract on which advance payments are made. Post, monthly, the amounts advanced (authorized and made), amounts repaid, and interest accrued and collected by contract number and name of contractor. Use these records to prepare the RCS CSCAC-3(R1) (Status of Advance Payments to Contractors) report. (See Chapter 29 for reporting instructions.)

(2) Apply interest charges, if provided by the contract, at the rate fixed by the U.S. Treasury. Compute interest charges on outstanding daily balances on the basis of 365 days--regular year and 366 days--leap year. Determine the accrued interest

charges for any given month by the actual number of days in that month. Include in the computation either the beginning or ending day of the period, but not both. For example, if a contractor received an advance of \$100,000, retains the advance for the entire month (30 days), and the U.S. Treasury rate at the time is 10 percent, make the computation of accrued interest as follows:

- (a) $\$100,000 \times 0.10 = \$10,000$ annual interest
- (b) $\$10,000 / 365 = \27.3973 daily interest
- (c) $\$27.3973 \times 30 = \821.92 accrued interest

d. Advances to U.S. Government agencies.

(1) Limit advances to U.S. Government agencies outside the DoD to those transactions where reimbursement on the basis of current billing or progress payments are not acceptable to the performing agency. When this method is used:

(a) Forward an SF 1080 "check issue" to the performing agency upon receiving a copy of the acceptance of the order. This will enable the performing agency to begin work in accordance with the order. Table 14-2 shows the accounting classification to use to account for advances to U.S. Government agencies outside the DoD.

(b) Upward amendments may require an additional advance of funds for the increased cost. Downward amendments may require a refund from the performing agency.

(c) Performing agencies will furnish a summary of costs to the ordering activity when the order is completed and will refund any unused portion of the advance.

(2) Advances from appropriations to supplement revolving funds require Army Budget Office (ABO) approval.

(3) Advances may be made to the U.S. Marine Corps, U.S. Navy, U.S. Air Force, and other DoD agencies with ABO authorization. These advances represent payments made for goods or services before the amounts are earned by the payee. Table 14-2 shows the accounting classification to use to account for these advances. Liquidate these advances when the receiving report, statement of services representing completion of the order, or receipt of a cash refund because of downward adjustment of the order is received. When processing recoupments and settlements of these advances, use the ordering agency's receiving document or statement of services as the basis for preparing the SF 1081 to transfer the amount to the accounting classification that will liquidate the obligation. The performing agency will prepare an SF 1081 to transfer the value of goods delivered or services performed from the accounting classification containing the special project account to the appropriation reimbursement account when goods are shipped or the services are performed. Ordering activities will review their advance files each month

to determine scheduled delivery/shipping dates that indicate a recoupment/settlement action is required and take follow-up action to obtain necessary information to assure prompt settlement of advances.

e. Advances to armed forces of friendly foreign nations. Table 14-2 shows the accounting classification to use to account for these advances. Procedures for making these advances are contained in DoD 7000.14-R, Financial Management Regulation and/or Chapter 40 of this regulation. Each FAO/DAO making this type of advance will maintain copies of SF 1034 (Public Voucher for Purchases and Services Other Than Personal) signed by an authorized representative of the nation receiving the funds in a suspense file pending settlement of the advance. When a nation repays the advance, remove the SF 1034 from the suspense file.

f. Recoupment of advances.

(1) Consider recoupment of advances as appropriation refunds. Recoup by deduction from settlement vouchers or invoices, or by direct collection from the recipient. In no instance will obligations be incurred or reported for these accounts. Normally, advances will not be outstanding for more than 90 days.

(2) Both the FAO/DAO and the funded activity will work toward the timely recoupment of advances. Pay particular attention to this matter near fiscal year-end so that all outstanding advances possible are recouped prior to September 30.

(3) If travel advances have not been fully recovered by deductions from settlement vouchers or refunded by the traveler, take prompt action to recover the outstanding advances by deductions from any amounts due the traveler or any other legal means available.

14-5. Prepayments

Prepayments apply only to those situations when it is a generally accepted industry practice to pay for items such as rents, subscriptions, and maintenance agreements in advance of the service being provided. Record the prepayment when it is made. Chapter 9 discusses obligating and expensing/capitalizing prepayments. As a general rule, DoD operations and maintenance appropriations are annual in nature and thus limited to obligations for goods and services required to meet current operating requirements. Therefore, no balance shall remain in general ledger account 1450 (Prepayments) at the end of the fiscal year.

14-6. Progress Payments

Progress payments to contractors are disbursements for work in process or costs incurred on contracts. The basis for progress payments are contained in the Federal Acquisition Regulation (FAR). Procedures for making progress payments are contained in Chapter 20. Maintain progress

payments in subsidiary accounts within the accounting division. Record progress payments as unliquidated progress payments, accrued expenditures and disbursements. Liquidate progress payments when receiving reports or equivalent documents are received showing supplies have been received or services rendered. Generally, liquidate progress payments by deducting them from future payments made for goods or services accepted under the contract.

14-7. Reporting

Report outstanding advances issued on the RCS CSCFA-218 report. Also, report outstanding advances to contractors on the RCS CSCAC-3(R1) report. (See Chapters 29 and 30 for reporting instructions.)

14-8. Grants and cooperative agreements

a. DoD grants and cooperative agreements are federal assistance agreements under which payments in cash and/or in kind are made for specified purposes. The major difference between grants and cooperative agreements is that grants are assistance awards for which no substantial involvement is anticipated between DoD and the recipient during performance of the contemplated activity, whereas, cooperative agreements may require substantial involvement. However, accounting for the two types of agreements is similar. Recipients of DoD grants and cooperative agreements include individuals, nonprofit organizations, state and local governments, U.S. territories, and federally recognized tribal governments. For international cooperative agreements, see Chapter 35.

b. DoD grants and cooperative agreements include formula grants to states and project grants for --

- (1) construction of armories and other major projects,
- (2) military base reuse studies and community planning, and
- (3) impact assistance for areas affected by the East Coast Trident Program.

c. Grants and cooperative agreements do not include --

- (1) technical assistance programs that provide services instead of money,
- (2) contracts that are entered into and administered under procurement laws and regulations, and
- (3) agreements under which only direct cash assistance is provided to an individual, a subsidy, a loan, a loan guarantee, or insurance.

d. The acceptance of an assistance award from DoD creates a legal duty on the part of the recipient to use the available funds or property in accordance with the terms and conditions of the assistance agreement. Make payments in advance or as reimbursement for either work performed or costs incurred by awardees. Recipients are required to return to DoD --

(1) the unused balances of advance payment awards (plus earned interest), unless recovery is prohibited by statute,

(2) any funds improperly applied, and

(3) property or facilities purchased or otherwise made available under the conditions of the awards, unless legal title thereto is vested unconditionally in the recipient by the terms of the award.

e. Account for grants and cooperative agreements using the following standards:

(1) Accounting for a grant or cooperative award begins with the execution of an agreement or the approval of an application or similar document in which the amount and purpose of the award, the performance period, the obligations of the parties to the award, and other terms are set out. A legal obligation to disburse the assistance funds, in accordance with terms of the agreement, occurs with an executed agreement or an approved application or similar document.

(2) Account for advance payments to award recipients (including amounts drawn on letters of credit) as advances until the recipient has performed under the award or contract.

(3) When the recipient has performed under the grant or cooperative agreement, record an expense or capitalize in an amount equal to the cost of services performed or costs incurred and reduce the advance account by a like amount.

(4) Account for payments to award recipients as reimbursements for work performed or costs incurred as expenditures and as expenses incurred, or as reductions of liabilities if the expenses were recorded previously.

(5) When title to assets acquired by award recipients vests in the U.S. Government, record the assets at acquisition cost to the award recipient and depreciate in accordance with chapter 18 of this regulation. Establish general ledger control of these assets and record in the property records.

(6) Establish a refund receivable to recover all expenses upon a determination that a recipient has failed to meet the requirements of the grant.

(7) At the termination of a grant or cooperative agreement, establish a refund receivable for funds unused or improperly applied by the recipient.

(8) Disclose amounts of assistance awards to be made in future periods in the footnotes to the financial statements.

(9) Use general ledger account 1413 (Advances to Grantees) to record amounts advanced to grantees pursuant to terms included in the grant agreement. Support this account by subsidiary accounts for each applicable appropriation and grantee receiving an advance. Quarterly, reconcile the account balance with the detailed documentation supporting the advances recorded in this account. During this quarterly reconciliation, determine whether amounts advanced are in excess of the grantee's current needs. Once determined that amounts are in excess,

immediately collect from the grantee. Coordinate the timing of the review with DoD grantors so that the review occurs as each grant milestone or reporting requirement is reached.

Table 14-1. Individual Advances.

Type of Travel	Dept., FY, Basic Symbol, and OA	ASN	Project	EOR	FSN	SGLA ¹
Specific station funded travel, and FMS travel	From travel order	From travel order	From travel order	4110	FSN funding the TDY	1411.00
Members of the IRR where orders were issued by ARPERCEN	Dept., FY, basic symbol cited on orders. Cite the OA of FAO/ DAO servicing the training area.	9930	P0930	4110	FSN of the FAO servicing the training area.	1411.00
Military personnel on travel being charged to an open allotment for TDY, not in conjunction with PCS.	Open allotment shown in DA Pam 37-100-FY plus the OA respon-sible for the open allotment.	From travel order	From travel order	4110	FSN of the FAO maintaining the DD Form 1588, or if non-integrated, FSN of the servicing accounting office.	1411.00
Military personnel on travel being charged to an open allotment for TDY in conjunction with PCS.						
If:						
PCS is completed prior to performance of TDY	From travel order	From travel order	From travel order	4110	FSN of new permanent duty station	1411.00
TDY is performed prior to departure for PCS	From travel order	From travel order	From travel order	4110	FSN of old permanent duty station	1411.00

(Note: Settlement voucher must be submitted prior to departure for PCS and FAO clearance is granted.)

TDY is performed while enroute on PCS	From travel order	From travel order	From travel order	4110	FSN of new permanent duty station	1411.00
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(Note: if gaining FSN is non-integrated, use the FSN of the servicing accounting office. If gaining organization is a replacement a use the FSN for the servicing accounting office for the replacement area.)

Military PCS	Use the MDC if there is a systems con-version to the accounting classification. Otherwise, use the conversion table in DA Pam 37-100-FY.	From travel order	From travel order	From DA Pam 37-100-FY	S99999	1411.00
DoD civilian PCS	Gaining station's funds cited on the order	From travel order	From travel order	4120	FSN of the gaining station	1411.00
DoD civilian PCS from overseas command to U.S. Army activity	Funds cited on the order	From travel order	From travel order	4120	FSN of the gaining station	1411.00

NOTES:

1 This is the Standard General Ledger Account (SGLA) where the residual balance of the outstanding advance is recorded.

Table 14-2. Other Advances.

Type of Advance	Dept., FY, Basic Symbol, and OA	ASN	Project	EOR	FSN	SGLA ¹
Contract Advances	From the fund cite on the contract	From contract	0942	4140	Servicing FSN	1412.00
Advances to Government agencies	Funds of the activity authorizing the advance	From the FAS/FAD DA Form 1323	0944	4140	Servicing FSN	1415.00
Advances of pay to local national employees	Funds of the activity authorizing the advance	From the FAS/FAD DA Form 1323	0947	4140	Servicing FSN	1414.00
Advances of pay to civilian employees transferring to overseas assignments	Funds of the activity authorizing the advance	From the FAS/FAD DA Form 1323	0948	4140	Servicing FSN	1414.00
Advances paid under special authorization from HQDA.	Funds of the activity authorizing the advance	From the FAS/FAD DA Form 1323	095* ²	4140	Servicing FSN	1415.00
Advances to armed forces of friendly foreign nations ³	Funds of the activity authorizing the advance	9970	0970	4140	Servicing FSN	1414.00

Notes:

¹ This is the Standard General Ledger Account (SGLA) where the residual balance of the outstanding advance is recorded.

² See AR/DA Pam 37-100-FY

³ If the advance of funds is made by a non-integrated disbursing activity, cite the FSN of the servicing accounting office.